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Relationship between performance contracting and the implementation of strategic objectives in Kenyan public universities

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ABSTRACT

This study sought to determine the link between Performance Contracting and implementation of strategic objectives in Kenyan Public Universities. The main objective was to establish the extent of utilization of the Performance Contract (PC) as a tool for implementation for strategic objectives in Kenyan public universities. The study was anchored on the Balanced Score Card theory and used a combination of descriptive survey research design and correlation research design. The target population for this study included thirty-one (31) public universities in Kenya; a sample of 62 respondents was drawn from senior management and officers in charge of PC and strategy implementation in each University as well as 10 key informants from the Ministry of Education and the Public Service Performance Management and Coordination Office. Primary data was collected using structured questionnaires. The data were analyzed using descriptive statistics; correlation and regression analysis was computed to determine the degree of association between the performance of Kenyan public universities in performance contracting and implementation of their strategic objectives. Methodological triangulation and pilot testing were adopted to test for validity while Cronbach Alpha reliability Correlation Coefficient was used to test the reliability of the data. The study established that utilization of Performance Contracts contributes to 74.2% of the changes in strategy implementation in Public Universities in Kenya. It recommends that the universities should focus on the PC as a tool to enhance strategy implementation, allocate more funds for strategy implementation and improve their financial standing by engaging in more income-generating activities.

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Introduction

In the last three decades or so African universities have undergone a crisis engendered by several reasons among them political interference and economic upheavals. In the face of turbulent and uncertain environments, organizations need to think strategically and translate their insight into effective strategies to cope with their changed circumstances and to also develop rationales to lay the groundwork for adopting and implementing strategies in the ever-changing environment. Strategic planning is important for the success of higher education institutions since it allows an institution to analyze the present condition and forecast the future. Similar to other businesses, higher education institutions should also use a comprehensive strategic planning framework in order to grow and prosper in a competitive environment (Fathi & Wilson, 2009). Nyakeriga (2015) argues that in Kenya as a formality, all public universities have strategic plans on paper. Most of them have not implemented their strategic plans as evidenced by the poor performance in structural development, poor internal organization and incompetent personnel, poor administrative systems and policies, and weak human resources practices.

In attempts to transform their public services, many government dispensations including public universities developed systems aimed at improving organizational effectiveness by focusing on achieving the organization's mission and strategic goals. These are essentially performance management systems (PMSs) designed for implementing strategy by communicating organizational goals and objectives, reinforcing individual accountability for meeting those goals, and tracking individual and organizational performance results. There are many and different types of performance management and measurement frameworks with variants of the core PMS

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tools, particularly measurement and evaluation. Among these is the Performance Contract (PC) (Trivedi, 1994). Performance contracts have been cited as an important catalyst of strategy implementation. They have been posited to enhance the relationship between strategy implementation and organizational performance (Muraguri & Wagoki, 2016; Muchira, 2013).

The environment under which universities in Kenya operate has experienced numerous challenges and risks and effective strategic planning is needed if the institutions are to ensure that they are able to respond to these issues in sustainable manner. In spite of having well thought out strategic plans, most Kenyan Public Universities have not implemented their strategic plans as evidenced by the poor performance in structural development, poor internal organization and incompetent personnel, poor administrative systems and policies, and weak human resources practices. The introduction of the performance contracts by the government aimed at assisting the public sector including public universities in implementing the national as well as the organizational strategies.

Despite the reported success in implementation of performance contracts in Kenyan public institutions (Kobia & Mohamed, 2006; Obong'o, 2015a and Bommet, 2015), numerous authors have established that most public universities in Kenya are not effectively implementing their strategic plans (Nyakeriga, 2015; Chiuri, 2016 and Ndubai, 2016). It was noted that many organizations focused on the performance contract thereby ignoring many aspects of the strategic plan implementation. In most cases they do this since they are required to regularly report to the performance contracting department on the progress of the performance contract (GoK, 2010). A disconnect in the alignment of the performance contract targets to strategic objectives and annual budgets of the institutions could further explain why the relationship between the performance in PC and strategy implementation is not so clean cut.

These observations have led to an inquiry into the effectiveness of the performance contracts in maintaining the quality standards set in the quality charters of the universities by aiding the implementation of objectives set by the institutions in their strategic plans (Choke, 2006). If say, a university has consistently been ranked top 5 in PC evaluations over the years; shouldn't this translate to successful implementation of its strategic objectives over the same period? Doesn't the reported success on implementation of the PC in public institutions have any impact on strategy implementation in Kenyan public universities?

There is very little research conducted in Kenya so far to correlate the performance of Kenyan Public Universities in performance contracting with the implementation of their strategic objectives. It is imperative to conduct this study to establish whether a link exists between performance in PC and implementation of strategic objectives in Kenyan Public Universities. Such a link should form the premise on which successful design and eventual implementation of strategic plans and performance contracts in state corporations' especially public universities are based. This link would also play a crucial role in improving the strategic management process of these institutions.

Literature Review

This section commences with the discussion of the main concepts/variables relating to the study. It further reviews the theories and empirical literature related to performance contracts and strategy implementation. The important aspects of this chapter are propositions emerging from the empirical and theoretical gaps. The chapter concludes by presenting a conceptual model indicating a diagrammatic relationship among variables in the study.

Performance Contract as a tool for achieving organizations strategic objectives

The need for organizations to align their performance measurement (PM) systems with their strategic goals is well documented in the literature (Kaplan, 2008). One such performance measurement system is Performance Contracting. PCs have been cited as an important catalyst of strategy implementation. They have been posited to enhance the relationship between strategy implementation and organizational performance (Muraguri & Wagoki, 2016; Muchira, 2013). The Performance Contract was introduced in Kenya as a management tool for measuring performance against negotiated performance targets (Kobia & Mohammed, 2006). They are freely negotiated agreements between the government acting as the owner of an agency and the management of the agency (Greiling, 2006).

In order to successfully implement strategic objectives using the PC, Choke (2006) noted that the objectives must be aligned to the PC targets, annual budgets and action plans. Failure to this leads to poor implementation of the PC, unimplemented strategic objectives and wastage of resources. The effectiveness of deriving tasks from strategic objectives for implementation process informs how performance contracting complements strategy implementation process to impact firms performance (Njoroge, 2015).

A study conducted by Chacha (2009) on the Performance contract as a tool for strategy implementation in Catering and Tourism Development Levy Trustees (CTDL) established that indeed the PC aided in the strategy implementation process. The study indicated that the negotiations during the preparations of the contracts between the parent ministry and the CTDL were based on the institutions annual action plans drawn from their strategic plans. However, this study does not give an indication of the extent to which the CTDL strategic objectives were actually incorporated in the PC. For instance, were all objectives implemented using the PC after the lapse of the strategic plan cycle? It would be important to establish this in order to gauge the extent to which the PC single handedly aided strategy implementation at the organization.

According to De Bruijn (2002), Performance contracting is a critical component which influences performance during strategy implementation. It is a management tool that ensures correlation between planning and implementation, coordination between various

government agencies, an enabling public policy environment for other downstream reforms and a fair and accurate impression about public enterprise performance (Choke, 2006). On the basis of this correlation, the strategic plans developed by the various corporations provide the impetus on the formulation of performance contracts. The performance targets, indicators, obligations, and measurements are all drawn from the strategic objectives implying that there should be a very close link between the two.

Muraguri and Mugoki (2016) also studied the influence of the PC on strategy implementation at Mount Kenya University and just like the study conducted by Chacha (2009); this study established that the PC played a significant role in strategy implementation at Mount Kenya University. However, again, the study did not shed light on the actual extent of strategic objective implementation attributed to the PC.

This study therefore seeks to establish the extent to which the implementation of strategic objectives in public universities can be attributed to the PC.

Theoretical Review

The concepts of performance contracting and implementation of strategic objectives are grounded in, and indeed straddle a number of theories that embrace and give credence to these precepts. This section examines the Balanced Score card theory and how it relates to the two major variables (Dependent and independent) in this study.

In formulation of a theoretical perspective for studying the relationship between performance of Kenyan public Universities in PC and the implementation of their strategic plan, the Balanced Score Card (BSC) theory provides a useful prototype. Basically, this theory which was developed by Kaplan and Norton in 1992 proposes the translation of organizations strategic objectives into a set of performance indicators distributed among four perspectives: Financial, Customer, Internal Business Process and Learning & Growth. The theory is based on the premise that no single measure can provide a clear performance target or focus attention on the critical areas of the business. Managers want a balanced presentation of both financial and operational measures hence the proposed four perspectives by the theory.

According to the BSC theory, financial performance measures indicate whether the company's strategy, implementation, and execution are contributing to bottom-line improvement while the customer perspective translates the general mission statement on customer service into specific measures that reflect the factors that really matter to customers. The internal business processes perspective on the other hand stems from the business processes that have the greatest impact on customer satisfaction—factors that affect cycle time, quality, employee skills, and productivity (Kaplan & Norton, 1992). The organizations should decide on the core competencies and processes they must excel at and specify the measure for each. The Learning and growth measures focus on the organizations ability to innovate, improve, and learn ties directly to the company's value through the ability to launch new products, create more value for customers, and improve operating efficiencies continually.

This study will employ the Balanced score card concept in establishing the relationship between performance of Kenyan public Universities in PC and the implementation of their strategic plans as well as measure the extent of implementation of their strategic plans. It will match SPS's relevant to public universities and Universities mandate as indicated in the Universities Act 2012 to the four BSC perspectives (financial; customer; satisfaction; internal business process and learning & growth) in order to determine the extent of implementation of strategic objectives by public universities in Kenya. The same concept will be used to establish the performance in PC by these universities by categorizing the six dimensions (Financial growth; Service Delivery; Non Financials; Operations; Dynamic/Qualitative and Composite Scores) used in the evaluation of the PC in Kenya based on the BSC perspectives.

Empirical Review

Empirical Studies conducted by previous researchers have identified various research gaps on the subject of Balanced Scorecard and its role in strategy implementation, and performance measurement. Malmi (2001) conducted an empirical study about the BSC, and why Finnish companies used it extensively. The study concluded that the balanced scorecard (BSC) seemed to be the latest management fashion to sweep the organizational world, and that despite its apparent popularity; there were still limited systematic, research-based evidence on its applications. A study by Malina and Selto (2001) concluded that Balanced Scorecard model, if well designed and used as a strategy implementation and organizational performance tool, was an effective device for controlling corporate strategy. Others like Gendi (2013) concluded that applying the balanced scorecard had helped the Kenya Pipeline Company to clarify its vision and mission thereby translating strategies into action, and that this in turn helped align activities of support systems to core business processes. Despite the raft of studies on the same subject of Balanced Scorecard both locally and internationally, the implication of the model in the Kenyan public sector still remained relatively unexplored.

In spite of all public universities developing individual strategic plans with different objectives, they have a common mandate to conduct teaching, research and community outreach activities. Their specific mandates have further been set by the Universities Act, 2012 and the Education Sector Performance Standards (SPS) released by the office of the Prime Minister in 2009. These standards list benchmarked Key Results Areas for the various sectors of the economy, including expected outcomes, and performance levels on various indicators. The Sector Standards also form the basis for development of strategic plans, and are expected to inform the process of linking planning, budgeting and results in the performance of public agencies.

This study will employ the Balanced score card concept in establishing the relationship between performance of Kenyan public Universities in PC and the implementation of their strategic plans as well as measure the extent of implementation of their strategic plans. It will match SPS's relevant to public universities and Universities mandate as indicated in the Universities Act 2012 to the four BSC perspectives (financial; customer; satisfaction; internal business process and learning & growth) in order to determine the extent of implementation of strategic objectives by public universities in Kenya. The same concept will be used to establish the performance in PC by these universities by categorizing the six dimensions (Financial growth; Service Delivery; Non Financials; Operations; Dynamic/Qualitative and Composite Scores) used in the evaluation of the PC in Kenya based on the BSC perspectives

Conceptual Framework

Miles and Huberman (1994) define a conceptual framework as a visual or written product, one that explains, either graphically or in narrative form, the main things to be studied; the key factors, concepts or variables and the presumed relationships among them. This study proposes the model below to demonstrate the relationship between the independent, dependent and moderating variables.

The conceptual framework is indicated in Figure 1.

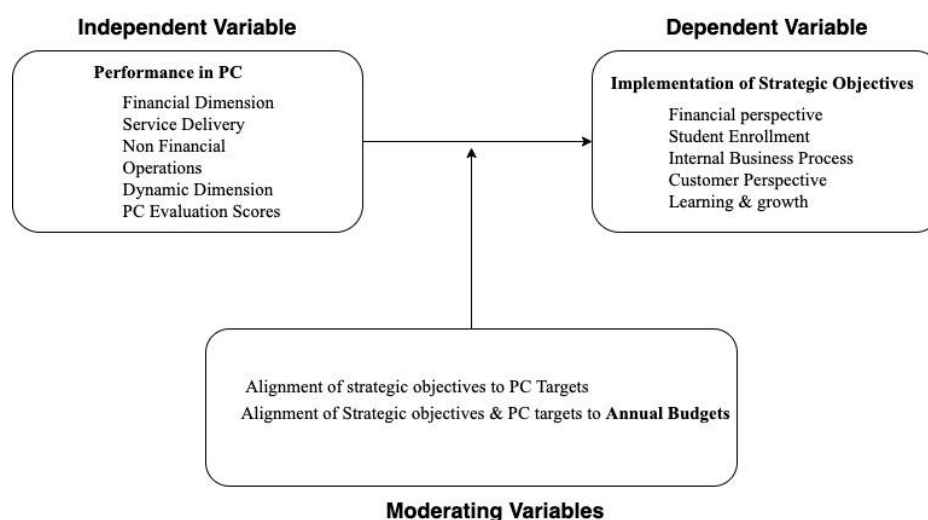


Figure 1: Conceptual Framework

According to Trivedi (2008), the Kenyan performance dimensions for evaluating performance in PC is one of the most comprehensive in the world. They cover five broad areas: financials/economic, service delivery, non-financial, operations, and dynamic/qualitative issues (Simpson & Nyante, 2015). This study develops the following model slightly modifying the five broad areas of evaluating performance in PC by including annual composite scores to the measures. It proposes measures for strategic objective implementation based on the balanced score card perspectives (Financial perspective, internal Business process, Customer perspective and Learning & Growth) whose indicators will be drawn from the sector performance targets as set out in the Education SPS and the University Education objectives spelt out in the Universities Act 2012. The model further proposes to measure the moderating effects of aligning the strategic objectives to the PC and annual budget on the relationship between the performance of public universities in PC evaluations and implementation of their strategic objectives by establishing the No. of strategic objectives incorporated in PC targets and the Budgetary allocation for SP implementation.

Research and Methodology

Research Design

The purpose of this study was to establish the extent of utilization of the Performance Contract (PC) as a tool for implementation for strategic objectives in Kenyan public universities. This study used mixed method approach with a combination of descriptive and correlation research design

Target Population

The target population for this study included all thirty-one (31) public universities in Kenya. The accessible population in this study was senior management and directors/coordinators/HoDs/staff in charge of performance contracting and strategy implementation at the Universities as well as representatives from the Ministry of Education and the Public Service Performance Management & Coordination office (PSPM&CO) as key informants.

Sample Size and Sampling Technique

This study used multi-stage sampling. It adopted stratified sampling, simple random sampling and purposive sampling. A study conducted by (Žmuk, Lutilsky & Dragija, 2016) on “The choice of a sampling procedure for a (too) small target population in Croatian public hospitals” revealed that the minimum recommended overall sampling rate, which would result in satisfactory precision and accuracy levels of parameter estimates, for simple random sampling and stratified random sampling, is 70%.

A sample of 70% of the total 31 public universities in Kenya (22 universities) therefore constituted the sample size. Stratified random sampling was used in sampled institutions to have two strata. These strata constituted; senior management and directors/coordinators/HoDs/staff in charge of performance contracting and strategy implementation at the Universities. Purposive sampling was used to select key informants from MoE department of Performance contracting and the PM&CO. Senior management included Vice-Chancellors, Deputy Vice-Chancellors, Registrars, Deans/Directors of schools/institutes and Finance Officers. After the first stage of sampling, simple random sampling was used to identify the number individual respondents to be issued with questionnaires and those to be interviewed. The following formula is used to calculate the size of the required sample from each category:

$$n = Z^2 * p * (1 - p) / d^2$$

Where:

n = Sample size for large population

Z = Normal distribution Z value score (for a level of confidence of 95%, $z = 1.96$, for a level of confidence of 99%, $z = 2.575$)

p = Proportion of units in the sample possessing the characteristic of interest, where for this study it is set at 50% (0.5).

d = tolerated margin of error (for example we want to know the real proportion within 5%) or when $p = 1/2$ (0.5)

Data Collection Instrument

The study used primary and secondary data. Primary data was collected by way of an interview schedule and questionnaires adopted for the study. The interview schedule was administered through personal interviews with key informants i.e. representatives from MoE department of Performance contracting and the PM&CO. Questionnaires were distributed to gather information from the sampled senior management and all directors/coordinators/HoDs/staff in charge of performance contracting and strategy implementation at the Universities. Secondary data was collected through review of documented information from textbooks, journals, conference papers and reports related to the study.

Validity and Reliability of Research Instruments

The researcher adopted methodological triangulation by using two different data collection instruments (interview schedule and questionnaire) to improve on the validity of the instruments.

Cronbach alpha reliability correlation coefficient method was used to determine a reliability index of the research instruments. Data from piloted questionnaires were keyed into the SPSS statistical software (version 25) and the results of the reliability test produced.

Table 1: Reliability Analysis Results

Variable	Cronbach's alpha	No of items
Performance in PC	.950	19
Strategic Objective Implementation	.866	12
Alignment of strategic objectives and PC targets on the relationship between the performance of Kenyan public universities in PC and the implementation of their strategic objectives	.789	8

From the table above, it was established that the Cronbach alpha results were all greater than 0.7 and the composite alpha are also either equal to or greater than 0.7, hence the reliability was established.

Data Analysis

The administering of the instrument to the participants will generate raw data. Once the data is collected, the questionnaires were edited for accuracy, consistency and completeness. Before the final analysis is performed, data was cleaned to eliminate discrepancies. Quantitative data were coded, tabulated and analyzed using descriptive statistics such as mean, frequencies and percentages. This was done with the help of the computer package Statistical Package for Social Science (SPSS) version 25. The

findings were presented in frequency tables, percentages and charts. Inferential data analysis was done using Pearson Correlation Coefficient, linear and regression analysis.

Table 2: Data Analysis Summary Table

S. #	Objective	Data Analysis Procedure
1.	Establish the Extent of Utilization of Performance Contract as a Tool for Strategy Implementation in Public Universities in Kenya	Descriptive Statistics Regression analysis ($y = \alpha + \beta_1 x_1 + e$) and Pearson Correlation.

Result and Discussion

This section presents the research findings from the study. It describes the main results obtained by analyzing the data obtained from the questionnaires. The research results are also presented in tabular form using a variety of descriptive and inferential statistics that sets out the key characteristics of the data and test the study hypotheses.

Response Rate

Out of the 62 issued questionnaires 44 of them were responded to. This represented 70.9% overall successful response rates. The 70.9% response rate is attributed to the use of self-administered questionnaire. Respondents were also assured of confidentiality of the information provided.

Table 3: Response Rate

Respondents	Sample size	Response	Percent (%)
Staff	62	44	70.9
Total	62	44	70.9

Extent of Utilization of Performance Contracting as a Tool for Strategy Implementation in Public Universities in Kenya

The main objective of the study was to establish extent of utilization of performance contracting as a tool for strategy implementation in public universities in Kenya. The objective was measured by first establishing the performance in PC in Public universities which was measured based on five (5) dimensions; Financial, Customer Service, Operations, Dynamic and PC evaluation results then carrying out a regression analysis to establish the extent of utilization of PC in Strategy implementation. The data was collected via questionnaires and face to face key informant interviews. Descriptive statistics such as mean, frequencies and percentages were used to analyze the data. This section will present and interprets the study findings.

Financial Performance

When asked about the extent of utilization of exchequer funds, majority of the universities indicated to have utilized (96%) and above of funds allocated by the Government and considered the utilization as very good. All the respondents (100%) also indicated that their institutions supplemented exchequer funding with internal income generating activities. (68.2%) of the respondents further indicated that they had fair financial standing while (22.7%) reported that their financial performance was good as shown in Table 4.

Table 4: General Financial Performance of Institution

	Frequency	Percent
Fair	30	68.2
Good	10	22.7
Very Good	4	9.1
Total	44	100.0

This indicates that the universities general financial performance can be rated as fair.

Service Delivery

The study sought to establish the status of service delivery in the institutions and from the findings, all institutions (100%) had a service delivery charter, (27.3%) had cascaded the service charter to all departments, (45.5%) had displayed service charter at the main entry points while (22.7%) had documented public complaints resolution mechanism as shown in Table 5.

Table 5: Service Delivery in Institutions

Yes		
	Frequency	Percent
Does the institution have a service Delivery Charter	44	100.0
Has the service charter been cascaded to all departments	12	27.3
Has the service charter been displayed at the main entry points	20	45.5
Is there a documented public complaints resolution mechanism	10	22.7

When asked to rate the level of service delivery of their respective institutions. (63%) of the respondents termed it as good while (12%) thought it was fair as indicated in Table 6 below.

Table 6: Level of Service Delivery

	Frequency	Percent
Fair	12	27.3
Good	28	63.6
Very Good	4	9.1
Total	44	100.0

This implies that although all universities had service charters and displayed the Charters at the main entry points, a few had cascaded the service charter to all department and even fewer had a well-documented public complaints resolution mechanism. The general extent of service delivery in the institutions was therefore considered as good.

Non-Financial Performance

It was established that (96%) of the institutions were ISO certified and had security policies. Most of those institutions (68%) were ISO 9001:2015 certified while the rest were ISO 9001:2008 certified and in the process of transitioning to ISO 9001:2015. (63.6%) also indicated that ISO certification had a high impact on service delivery and the general performance of their institutions. Further, when asked whether the universities had any safety and security policies, most (86%) of the respondents indicated that they did while (9%) indicated that they did not have them, the rest (5%) chose not to respond to the question. Respondents were then asked to rate the extent of implementation of their safety and security policies and (50%) agreed that it was fair while (40.9%) viewed their implementation as good.

Institutions Operations

According to the study (78.2%) of the institutions had automated their operations and the most common system used was the Enterprise Resource Planning (ERP) system. It was also revealed that (36.4%) of the institutions have fairly automated their operations. average completion rate for priority projects was (86.8%).

Dynamic Dimension

The average annual number of staff trainings carried out in the institution annually was 3. When asked to describe the level of competency development initiatives in their institution (22.7%) rated it as good as shown in table 7.

Table 7: Number of staffs training and Competency Development Initiatives

	N	Minimum	Maximum	Mean	Std. Deviation
Average Number of staff trainings carried out annually	44	.00	25.00	3.1364	7.37245
Valid N (listwise)	44				
Competency Development Initiatives			Frequency	Percent	
			Good	10	22.7
			No Response	34	77.3
			Total	44	100.0

It was deduced that the universities are not undertaking sufficient training for the staff members annually. However, in the general performance on competency development initiatives by the universities was considered good by most respondents.

Performance Contracting Evaluations

The study sought to establish the composite scores of the institution over a period of five years based on annual PC evaluations (Either self/national evaluations) and it was revealed that they had an average composite score of 3.2. The overall performance in performance contracting by the institutions since their inception was good according to (54.4%) of respondents as shown in Table 8.

Table 8: Extent of implementation of the plan

	Frequency	Percent
Fair	8	18
Good	24	54.4
No Response	12	27.6
Total	44	100.0

Findings imply that the composite scores of the institutions based on annual PC evaluations and the universities general level of performance in performance contracting was good.

Regression analysis on Extent of Utilization of Performance Contracting as a Tool for Strategy Implementation in Public Universities in Kenya

To establish extent of utilization of performance contracting as a tool for strategy implementation in public universities in Kenya regression analysis was undertaken and findings presented in Tables (9,10,11).

Table 9: Model Summary Extent of Utilization of Performance Contracting as a Tool for Strategy Implementation

Model Summary										
Model	R	R Square	Adjusted Square	RStd. Error of the Estimate	of Change Statistics					
					R Change	SquareF Change	df1	df2	Sig. F Change	
1	.862 ^a	.742	.701	.0725825	.742	17.773	6	37	.000	

a. Predictors: (Constant), PC Evaluations, Operations, Service Delivery, Dynamic Dimension, Non Financial Performance, Financial Performance

The study findings in table 8 above show that the value of R Square (R^2) was 0.742 meaning that the model was able to predict 74.2% which means (PC Evaluations, Operations, Service Delivery, Dynamic Dimension, Non-Financial Performance and Financial Performance) explains 74.2% of the changes in strategy implementation in Public Universities in Kenya. These results also show that 25.8% of changes in strategy implementation can be attributed to other factors other than the mentioned sub-variables.

The study also conducted Analysis of variance (ANOVA) and the results are as shown in Table 10.

Table 10: ANOVA for Extent of Utilization of Performance Contracting as a Tool for Strategy Implementation

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.562	6	.094	17.773	.000 ^b
	Residual	.195	37	.005		
	Total	.757	43			

a. Dependent Variable: Implementation of Performance Contracts

b. Predictors: (Constant), PC Evaluations, Operations, Service Delivery, Dynamic Dimension, Non-Financial Performance, Financial Performance

From the results in Table 10, the results showed that the calculated F-statistic was $F(6, 37) = 34.626$ meaning that the model was fit in explaining strategy implementation. The basis of either rejecting or accepting the null hypotheses was determined by whether the

p-value was greater or less than 0.05. If the p-value > 0.05, the null hypotheses was not rejected and if the p-value < 0.05 then the null hypotheses was rejected. The P-value for the regression model was 0.000, which confirmed that (PC Evaluations, Operations, Service Delivery, Dynamic Dimension, Non-Financial Performance and Financial Performance) are significant in Strategy Implementation this means null hypothesis was rejected.

The study further sought to determine the coefficients of the independent variable and the results shown in Table 11 were obtained.

Table 11: Coefficients for Extent of Utilization of Performance Contracting as a Tool for Strategy Implementation

Coefficients^a					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.018	.110		.165	.870
Financial Performance	.149	.101	.203	1.473	.149
Service Delivery	.093	.141	.104	.658	.514
1 Non-Financial Performance	.353	.118	.345	2.988	.005
Operations	.550	.074	.694	7.450	.000
Dynamic Dimension	-.078	.067	-.109	-1.162	.253
PC Evaluations (Composite Scores)	.048	.076	.058	.630	.532

a. Dependent Variable: Implementation of Performance Contracts

Discussions

The general financial performance of the universities was termed as fair according to (68%) of the respondents. The major reason indicated for the low rating was insufficient funding. This was despite (96%) utilization of exchequer funding. All universities (100%) also indicated that they supplemented their income through engaging in alternative income generating activities such as; tuition, research, consultancy, hire of facilities, catering and hostel, bookshops and farming.

According to Ng'ethe (2011), the government was finding it expensive to finance university education with its present resources. The Universities are thus expected to diversify their sources of revenue as well as ensure more efficient use of institutional resources. A strategic planning process can help prepare a university to face these emerging challenges. Further a study conducted by Busienei (2009) on the impact of performance contracting on the financial performance of public universities in Kenya established that there was some positive attribution of the PC to public university financial performance. However, the statistical testing of the industry as a whole did not reveal a significant variance in financial performance in the post-performance contracting period. This implies that despite the introduction of the PC, Public universities are still grappling with their finances.

In regards to the state of service delivery in the institutions, all institutions (100%) had a service delivery charter, (45.5%) had displayed service charter at the main entry points, only (27.3%) had the service charter cascaded to all departments while (22.7%) had a documented public complaints resolution mechanism.

Service Charters are viewed as a self-initiated intention of the service provider defining the qualities of the services expected to be delivered to the clients (Shanker, 2004). In the Public service, they show the commitment on the part of the government towards improving the standard of public services and ensuring that services offered by the public institutions are responsive to the needs of citizens (Hood, 1991). The availability of the Charters in the Universities indicates the willingness for transparent communication and understanding of the services offered. However, they ought to be fully cascaded to all departments in order to have a significant impact on the overall performance / service delivery of the institution.

In addition, the effectiveness of service charters is gauged through the analysis of the feedback mechanism. In this study it was established that only 22.7% of the institutions had documented their public complaints resolution mechanism. This implies that despite having Service charters, the institutions were not able to measure the effectiveness of their charters and therefore could not tell the impact the charters have on their service delivery/performance. Taleghani (2011) talks of the importance of complaints being scrutinized in a constructive positive and professional manner because this is a chance for the organisation to either tarnish its reputation still further (if the complaint handling is similarly seen in negative terms) or to redeem itself (if the complaint is handled well and the concerns remedied). Trappey et al (2010) have argued that the volume of complaints can provide a valuable indicator of the quality of service to customers and can also be indicative of the organizational performance (good or bad). Holland (2010) has written about the value of citizen complaints in serving as quality control and have emphasized the value of citizen feedback as a means for evaluating the quality of public service delivery. Jacobs (2010), such feedback is important because it allows service

providers to be more confident about quality from the user's viewpoint and to learn about the scope and directions for service improvement and development.

Most respondents (96%) indicated that their institutions were ISO certified with (68%) being ISO 9001:2015 while the rest being in transition from ISO 9001:2008 certifications. They (63.6%) further indicated that they considered ISO certification as being highly impactful to service delivery and general performance of their institutions. When asked on the extent of implementation of their safety and security policies, (50%) agreed that it was fair while (40.9%) termed implementation as good. This study considered ISO certification and availability of safety and security policies as key components in measuring non – financial performance of the universities. The responses therefore clearly gave the status of the two aspects in the Universities. A study conducted by (Uyar, 2010) on the *“The Development of Non – Financial Performance Measures as Contemporary Performance Measurement Tools”* concluded that organizations were increasingly implementing non – financial performance measures along with financial measures. He further indicates that these two aspects ought not to be evaluated separately but in an integrated manner. On importance of ISO certification as a performance measurement tool, the product/service quality and operational performance are directly and significantly influenced by ISO 9001 effectiveness (Psomas et al., 2013). This emphasises on the importance of the universities having ISO 9001 certification and the positive impact it is likely to have on their service delivery and performance. In support of the contribution of safety and security policies to the organizations performance, a study on *“Safety Management and Organizational performance of selected manufacturing firms in Awka Metropolis”* it was concluded that when an organizations safety and management focuses on the development of specific measures and programmes and also aimed at protecting employees in the course of performing their duties, it will help them maximize productivity and improve the overall organizational performance (Ethelmary et al., 2018).

As per the findings (63.6%) of the institutions had automated their operations and the most common system used was the ERP. It was also revealed that (36.4%) of the institutions had fairly automated their operations. A study carried out by Kimutai and Kwambai (2017) on the *“Effect of Office Automation on Organizational Effectiveness of Public Universities in Kenya”* established that indeed automation of operations in an organization positively influenced the organizations performance and effectiveness. They further recommended the automation of all University activities to further reap the benefits in all sections. In addition, in their study on *An evaluation of enterprise resource planning systems implementation experiences for selected public universities in Kenya* Ndungu, P., & Kyalo, J. (2015) concluded that public universities should prepare for implementation of ERP systems by aligning their functional areas to meet ease of automation and integration of their operations with implemented ERP as that was the major challenge established preventing full automation of the ERP system. Therefore, in order to improve overall performance the Public Universities in Kenyan need to ensure full automation of their internal processes.

According to the study the average completion rate for priority projects was (86.8%). projects are considered as building blocks in the strategic management of organizations (Weiss & Potts, 2012). The success of any project is highly dependent on its completion time from start to delivery of results. This has a direct bearing on management decisions such as budgets, targets and standards (Seddon, 2008). According to Ngesa, A.R. (2010), delays in completion of projects results in time overrun, cost overrun, disputes, litigations and sometimes complete abandonment of important projects. Also, beneficiaries are deprived of the benefits that would have accrued from timely completion of the project. This study established that the Universities completed the priority projects in time. This ultimately results to meeting the target set in their individual performance contracts under project completion rate.

On training, the average annual number of staff trainings carried out in the institutions was three (3). When asked to describe the level of competency development initiatives in their institution, (22.7%) rated it as good. Staff training is considered as a positive motivator to organization performance by improving service delivery and developing a better understanding of the work procedures leading (Leseiyio and Reuben, 2019)

The average composite score of the institutions based on annual PC evaluations (Either self/national evaluations) for a period of five years was 3.2 and the overall performance in performance contracting in the institutions since their inception was fair according to (54.4%) of respondents. Evaluation of the performance of public agencies entails the rating of actual achievements against performance targets negotiated and agreed upon at the beginning of the fiscal year. The resultant differences are resolved into raw and weighted scores, and ultimately denominated into composite scores. The composite score of 3.2 is termed as “Good” according to the PC guidelines released annually. This gives an indication that Public Universities are in general performing well in the achievement of targets set in their PCs. In support of this, a study conducted by (Oketch, 2017) on *“Impact of Performance Contracting on Efficiency in Service Delivery in the Public Sector”* established that Performance contracting had brought about efficiency in the utilization of resources in public organization led to cost reduction in the organization, improved governance, transparency and accountability as well as productivity. Further, it contributed towards increase in the organization's revenue as well as customer satisfaction. This implies that the effective implementation of the PC in the Universities has resulted to improved institutional performance.

From the interviews of 10 officers from the Ministry of Education and the Public Service Management and Coordination Office, (80%) indicated that the Universities performed very well in PC and the extent of utilization of Performance Contracting as a tool for strategy implementation in public universities in Kenya was high.

One respondent indicated that;

“They (Universities) are the best performing state corporations overall and the performance has been consistence over the years since commencement of the PC process”

Upon being asked on whether the PC was an effective tool for strategy implementation they stated that;

“It is very effective given that the objectives in the University’s strategic plan forms part of the PC targets”

These findings are in line with those established by Chacha (2009) who sought to establish the PC as a tool for strategy implementation at the CTDLT. The research concluded that the PC was an effective tool for strategic plan implementation because its objectives in the organization’s strategic plan formed the basis for the target setting, negotiation and signing of the HoDs performance contracts with the CEO. De Bruijn (2002) also indicated that Performance contracting was a critical component which influences performance during strategy implementation. It is a management tool that ensures correlation between planning and implementation, coordination between various government agencies, an enabling public policy environment for other downstream reforms and a fair and accurate impression about public enterprise performance (Choke, 2006).

In general, it was revealed that R Square (R^2) was 0.742 meaning that the model was able to predict 74.2% which means (PC evaluations, operations, service delivery, dynamic dimension, non-financial performance and financial performance) marketing explains 74.2% of the changes in strategy implementation in public universities in Kenya. These results also show that 25.8% of changes in strategy implementation by other factors other than mentioned sub-variables. This implies that public universities utilize the PC to a large extent as a tool for strategy implementation.

In addition, the regression test revealed that; non-financial performance and operations automation were significant in predicting universities strategy implementation. Similarly, Stede et al. (2006) argued that regardless of strategy, organizations with more extensive PMSS, especially those that included non-financial measures, have better overall performance they also take an explicit strategic focus and provide more relevant, accurate and appropriate information for management (Ahmad and Zabri, 2015).

The general findings on this objective indicate that the model, aimed at assessing performance in PC which constitutes; PC Evaluation scores, Operations, Service Delivery, Dynamic Dimension, Non-Financial Performance and Financial Performance aspects, explains 74.2% of the changes in strategy implementation in Public Universities in Kenya therefore implying that Universities utilize the PC to a significant extent as a tool to aid in the implementation of strategic objectives.

Conclusion

This study has revealed that, despite the introduction of PCs, public universities in Kenya are still grappling with the management of their finances. However, service delivery, standardization of procedures, automation, capacity building initiatives, and the general performance of the universities have significantly improved. This by extension implies that the PC is an effective tool for strategy implementation and ought to be adopted by Kenyan Public Universities. It is also important that more emphasis is placed on the improvement of their financial standing by intensifying focus on income generating activities. Universities should also regularly measure the extent of strategy implementation despite there being no government monitoring and evaluation mechanisms for implementation of strategic objectives.

Further, it was established that the parameters used in measuring Performance in PC have a positive and significant influence on the implementation of the strategic objectives and therefore universities utilize the PC in implementation of their strategic objectives whether consciously or subconsciously.

The Balance Score Card Model has been found to be a sound model for measuring the implementation of strategic objectives in this study. The proposed components in the model (A in A, student Enrollment, Student – lecturer ratio, Community initiatives, industry linkages, innovation and dissemination of research) have been found to have a positive and significant influence on the implementation of strategic objectives in Kenyan public universities. The study also established that the alignment of strategic objectives to PC targets has a significant influence on the relationship between performance on PC and the implementation of strategic objectives in universities.

Finally, this study has established the link between Performance contracting and the implementation of strategic objectives in Kenyan Public Universities therefore following areas are recommended for further research; i. Performance contracting and the implementation of strategic objectives in Kenyan Private Universities; ii. The alignment of strategic objectives to annual budgets and action plans in Public universities in Kenya and iii. Alignment of strategic objectives to National goals in Kenyan public universities.

Based on the results, findings and conclusions, Universities should endeavor to use the PC as a tool for strategy implementation as the major components that measure the performance in PC Implementation (PC Evaluations, Operations, Service Delivery, Dynamic Dimension, Non-Financial Performance, Financial Performance) have been established to significantly and positively explain the changes in implementation of strategic objectives. They should seek to improve their financial standing by engaging in more and profitable IGA activities that are aligned to their core mandate of teaching, research and community outreach.

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